

VZCZCXYZ0033
RR RUEHWEB

DE RUEHEG #2576/01 2311427
ZNR UUUUU ZZH
R 191427Z AUG 07
FM AMEMBASSY CAIRO
TO RUEHC/SECSTATE WASHDC 6584
INFO RUCPDOC/DEPT OF COMMERCE WASHDC

UNCLAS CAIRO 002576

SIPDIS

SENSITIVE
SIPDIS

NEA FOR ELA
EB FOR CBA, TRA
COMMERCE FOR ADVOCACY CENTER

E.O. 12958: N/A

TAGS: FAIR ECON PREL EG

SUBJECT: BOEING SCORES SUCCESS IN EGYPT AIR LONG-HAUL
ACQUISITION

Sensitive but Unclassified. Please protect accordingly.

Summary

¶11. (SBU) Continuing the augmentation and upgrading of its long-haul fleet, Egypt Air has agreed to lease six Boeing 777-300R aircraft, with the possibility of a direct purchase or lease of two more. The decision follows shortly after the airline concluded an agreement with Airbus to lease two A330s and purchase five more. Egypt Air's agreement to lease the six 777s is a success for Boeing in the face of a long list of potential Airbus advantages in the Egyptian market. End summary.

Egypt Air Adds Six 777's

¶12. (SBU) During the week of August 5, Egypt Air signed a Letter of Intent (LOI) and placed a deposit with GE Commercial Aviation Services to lease six Boeing 777-300R long-haul aircraft. According to airline and Boeing Company contacts, the possibility for the direct purchase or lease of two additional 777s remains on the table. The parties anticipate concluding the lease contract within the next 30-60 days. The decision by Egypt Air to lease the six Boeings follows shortly after the airline concluded an agreement with Airbus for the leasing of two A330s and the direct purchase of five more. The acquisitions are part of Egypt Air's efforts to augment and upgrade its long-haul fleet to handle expanded passenger and cargo links with far-flung partners, primarily in Asia.

Ambassador Advocates

¶13. (SBU) In a July 24 meeting, the Ambassador, joined by the Commercial Counselor and Econoff, engaged Minister of Civil Aviation Air Marshal Ahmed Shafik on behalf of the Boeing bid. The Ambassador reiterated the advantages of the 777 vs. the A330 with regard to range, efficiency, and cargo capacity, and noted the synergy between the aircraft's capabilities and Egypt's growing trade with long-haul destinations in Asia. The Ambassador also noted Egypt Air's stated desire to have a balanced fleet of Airbus and Boeings, and that the airline's current weighting in favor of Airbus was at odds with that goal and with international norms for long-haul aircraft. Egypt Air currently operates five Boeing 777-200ERs, seven Airbus A330s, three A340s, and four A300

freighters; an anomaly considering that among all international operators Boeing enjoys an approximate 75/25 advantage. The meeting followed-up on the Ambassador's earlier message accompanying the delivery of Secretary of Commerce Gutierrez's letter in support of the Boeing bid.

¶4. (SBU) Shafik said that Egypt Air was "in bad need of Boeing's help," ostensibly referring to their desire to expand long-haul and cargo services deeper into Asia. Shafik told the Ambassador that Egypt Air was very happy with the roll-out and performance of their 737-800's, and that Boeing had been a "very cooperative" partner in the deal. Shafik noted that he hoped that Boeing would be able to provide an expedited delivery schedule, as Egypt Air was seeking to incorporate the aircraft in the fleet as soon as possible.

¶5. (SBU) Aside from cooperation on commercial aircraft, Shafik implored the Ambassador to encourage U.S. investment and competition in the aviation sector more broadly, and said he will issue instructions to all of his departments to ensure that American firms are encouraged to bid on projects in aviation services, management, retail, and infrastructure development. He said that boosting tourism was at the core of Egypt's aviation-related activities, and he wants American companies to enter and compete in this market. In response, FCS has arranged for a TDA-sponsored definitional mission to visit Cairo in early September to explore project opportunities in the sector.

Comment

¶6. (SBU) Egypt Air's agreement to lease the 777s is a success for Boeing in the face of a long list of potential Airbus advantages in the Egyptian market. The A330 retails for USD 80 - 95 million less than the 777, is available for delivery a full year earlier, and Egypt Air already operates an A330 engine maintenance shop in Cairo. While the 777 outperforms the A330 on capacity, range, and cargo, the A330 is "good enough" to service some of Egypt Air's expanding services to the Indian sub-continent and Southeast Asia. In addition, Airbus is able to "take back" directly Egypt Air's aging A340s, whereas Boeing would have to arrange for the disposal of its older 777-200s though a third party. The GOE and Egypt Air are happy with the performance of their current fleet of Boeings, however, and recognize the role the 777 can play in expanding trade ties with China. The Embassy will continue to work with Boeing to encourage Egypt Air to focus on the greater revenue generating potential of the 777 and the need to increase the proportion of Boeing's in its long-haul fleet.

RICCIARDONE